

New Trend In IPR Institution Appealability Demands Scrutiny

By **Brett Cooper** and **Kevin Schubert**

(May 28, 2020, 1:55 PM EDT) - We have written several Law360 Guest articles over the past year analyzing trends regarding how the balance of power between courts authorized under Article I and Article III of the U.S. Constitution relates to inter partes reviews.

Earlier this year, we wrote about how Article III district courts have taken differing views on how to proceed when a trial court reaches one outcome on validity and the U.S. Patent and Trademark Office (Article I) reaches a different outcome.

Very recently, we have noticed a new trend on the balance of power between Article I and Article III courts, this time related to the ability to appeal USPTO decisions. This trend and its impact on IPR petitions will require close following and should be very interesting over the coming months given the likely (and perhaps extensive) constitutional challenges that will be brought, the internal review process at the USPTO, and possible Congressional action to clarify the statute.

Section 314(d) of the Patent Act states "No Appeal.—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable."^[1] The U.S. Court of Appeals for the Federal Circuit addressed that exact language in the recent *Lone Star Silicon Innovations LLC v. Iancu* decision and held that, indeed the Federal Circuit does not possess the authority to review institution decisions by the USPTO.^[2] And, in *Lone Star*, the nonappealable decision by the USPTO was whether or not to consider a ground of obviousness which was the critical issue in a validity determination.^[3]

Lone Star argued:

that the instituted ground was not actually presented in the petition because it relies on additional references ... that were not presented in the petition and the Board lacked authority to sua sponte add its own ground of unpatentability.^[4]



Brett Cooper



Kevin Schubert

This was critical because if the ground of obviousness was considered, the patent was invalid — and, conversely, if the ground was not considered, the patent was valid. The Federal Circuit stated that that decision was not reviewable and that:

the Board repeatedly made clear that the instituted ground was based on ... additional references [that] were being relied on exclusively for their teachings about what was well-known in the art.[5]

Thus, the Federal Circuit in *Lone Star* deferred to the USPTO.

But, *Lone Star* argued that the Federal Circuit's decision just two months earlier in *Koninklijke Phillips NV v. Google LLC* compelled a different result.[6] In *Koninklijke*, the Federal Circuit stated "the Board erred by instituting inter partes review based on a combination of prior art references not advanced in Google's petition." [7] At least, in *Lone Star*'s view, that was the same issue it was facing.

The Federal Circuit stated, however, that the cases were different because in *Koninklijke*, there was no mention of the combination, but in *Lone Star*, the "the additional references were being relied on exclusively for their teachings about what was well-known in the art." [8] And, perhaps more importantly for purposes of this article, the USPTO decision that they were different could not be appealed to an Article III court.

To add another dimension to this tension regarding what is or is not appealable, the U.S. Supreme Court's decision in *SAS Institute Inc. v. Iancu*, in which the Supreme Court found reviewable the USPTO's decision to institute on a portion of the petitioned grounds, is informative.

For some, the decision in *SAS* is hard to square with the decision in *Lone Star*. If an Article III court can review whether the USPTO considered some rather than all petitioned grounds (as in *SAS*), then arguably it should be able to review whether or not a petition ground was adequately set forth in the petition (as in *Lone Star*). The Federal Circuit in *Lone Star* was not convinced that *SAS v. Iancu* compelled a different result for preliminary patentability decisions.[9]

Further, the court found that in *Lone Star*, the court would have had to "unwind the Board's institution decision and compare it to the particular language used in Micron's petition ... which is precisely the kind of analysis the Supreme Court cautioned against." [10] *Lone Star*, in perhaps a nod to due process considerations, also noted that petitioner had some notice of the asserted art and had "an adequate opportunity to respond in its patent owner response and its sur-reply." [11] Put simply, the Federal Circuit stated that in *Lone Star* it was not going to revisit the USPTO's decision to institute the inter partes review on that prior art.

The question many practitioners are now facing is what review, if any, can a practitioner bring in light of the *Lone Star* decision on the types of grounds presented in an IPR petition. But we may already have an answer to that question from a very recent Supreme Court decision that determined the USPTO's determination of a time bar was not reviewable.

Specifically, on April 20, in *Thryv Inc. v. Click-to-Call Technologies LP*, the Supreme Court held that the AIA's one-year time limit to file an IPR after the initiation of litigation under Section 315(b) is subject to the exact same nonappealability provision of Section 314(d).[12] In *Thryv*, the majority stated that if it allowed appeals despite the clear intention of Congress, they would "tug against that objective, wasting the resources spent resolving patentability and leaving bad patents enforceable." [13]

The court continued that patent owners would only appeal on Section 315(b) untimeliness grounds when they "could not prevail on patentability, [thus] Section 315(b) appeals would [only] operate to save bad patent claims." [14] And, if Congress intended otherwise, it easily could have stated carve outs or exceptions which it clearly knows how to do. Indeed, if the Thryv or Lone Star decisions are against what Congress intended, then Congress is empowered to make a legislative fix.

The trend that must be realized is that the recent Lone Star and Click-to-Call decisions have been resolved in a way consistent with the USPTO's decision being nonappealable and away from earlier decisions like SAS and Koninklijke, which had allowed review authority by Article III courts. Petitioners should consider these recent decisions in deciding whether to pursue an appeal of a USPTO institution decision. Regardless of appeal, there are two remedies practitioners can seek.

First, if the USPTO were to essentially disregard the art that was raised in an IPR petition and come up with its own references, there could be a constitutional challenge on due process grounds — this is something that the Supreme Court explicitly left open in *Oil States Energy Services, LLC v. Greene's Energy Group LLC*, which emphasized that "our decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause." [15]

While some may view Lone Star and Koninklijke as irreconcilable, at least a reading of the former decision makes a mention of an "adequate opportunity to respond" that the petitioner allegedly had.

Second, the USPTO itself allows review of decisions by the commissioner through a petition process — certainly not the judicial review that is ordinarily available — but, at least a chance for review of the USPTO's action. [16]

We will continue to monitor trends on the interplay between Article I and III courts, especially the authority of an Article III court to review decisions by the USPTO. Aside from legal decisions, we all will need to keep abreast of Congress's potential legislative initiatives regarding Section 314(d).

Brett Cooper is a principal and Kevin Schubert is a senior associate at McKool Smith PC.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

[1] 35 U.S.C. § 314(d).

[2] *Lone Star Silicon Innovations LLC v. Iancu*, Case No. 19-1669, 2020 U.S. App. LEXIS 9342 (Fed. Cir. Mar. 25, 2020).

[3] *Id.* at *7-8.

[4] *Id.* at *10.

[5] *Id.* at *11.

[6] *Koninklijke Philips N.V. v. Google LLC*, 948 F.3d 1330 (Fed. Cir. 2020).

[7] *Id.* at 1335.

[8] *Lone Star*, 2020 U.S. App. LEXIS, at *11.

[9] *Lone Star*, 2020 U.S. App. LEXIS, at *11-12.

[10] *Lone Star*, 2020 U.S. App. LEXIS, at *12.

[11] *Lone Star*, 2020 U.S. App. LEXIS, at *14.

[12] *Thryv, Inc. v. Click-to-Call Techs, LP*, ___ U.S. ___, ___ S. Ct. ___, 206 L. Ed. 2d 554 (2020).

[13] *Id.* at 564.

[14] *Id.* at 565.

[15] *Oil States Energy Serv. LLC v. Greene's Energy Grp. LLC*, ___ U.S. ___, 138 S. Ct. 1365, 1379, 200 L. Ed. 2d 671 (2018).

[16] See, e.g., 37 CFR 1.181 ("Petition to the Director").